

YEAR 2007 RECEIVED BY

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PUBLIC SERVICE  
COMMISSION

## ANNUAL REPORT

OF THE

NAME Utility Solutions, LLC

LOCATION Bozeman, Gallatin County, Montana

PRIVATE SEWER UTILITY

TO THE

PUBLIC SERVICE COMMISSION

OF MONTANA

FOR THE YEAR ENDING December 31, 2007

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## REPORT OF

UTILITY SOLUTIONS, LLC  
P.O. BOX 10098 BOZEMAN, MT 59719

For Year Ended: December 31, 2007

Date Utility First Organized: May 15, 2003

Telephone Number: 406-585-4166

Location where books and records are located: 224 Zoot Way, Bozeman, MT 59718

| Contracts:        |         |                                     |        |
|-------------------|---------|-------------------------------------|--------|
| Name              | Title   | Principal Business Address          | Salary |
| Double-Tree, Inc. | manager | P.O. Box 10098<br>Bozeman, MT 59719 | N/A    |
|                   |         |                                     |        |

Report every corporation or person owning interest or holding directly or indirectly 5 percent or more voting securities of the reporting utility:

| Name                    | Ownership in Utility | Principal Business Address                                | Salary |
|-------------------------|----------------------|---|--------|
| Barbara Campbell        | 45%                  | P.O. Box 10098<br>Bozeman, MT 59719                       | \$0.00 |
| Montana Ventures I, LLC | 55%                  | c/o Guy Graves<br>201 W. Short St.<br>Lexington, KY 40509 | \$0.00 |

# INCOME STATEMENT (SEWER)

| Account Name                       | Current Year          | Previous Year         |
|------------------------------------|-----------------------|-----------------------|
| <b>GROSS REVENUE:</b>              |                       |                       |
| <b>Metered **Flat Rate**</b>       |                       |                       |
|                                    |                       |                       |
| Residential                        | \$148,852.72          | \$132,990.85          |
| Commercial                         | -                     | -                     |
| Industrial                         | -                     | -                     |
| Other                              | -                     | -                     |
|                                    |                       |                       |
| <b>Unmetered</b>                   |                       |                       |
|                                    |                       |                       |
| Residential                        | -                     | -                     |
| Commercial                         | -                     | -                     |
| Industrial                         | -                     | -                     |
| Fire Protection                    | -                     | -                     |
| Bulk Sales                         | -                     | -                     |
| Sale of Materials                  | -                     | -                     |
| Other: Late Fees                   | -                     | 24.03                 |
|                                    |                       |                       |
| <b>TOTAL GROSS REVENUE</b>         | <b>148,852.72</b>     | <b>133,014.88</b>     |
|                                    |                       |                       |
| Operation and Maintenance Expense  | 196,339.23            | 176,709.49            |
| Depreciation Expense               | \$105,169.75          | 39,898.84             |
| Taxes Other Than Income            | 4,899.94              | -                     |
| Income Taxes                       | -                     | -                     |
| Deferred Federal Income Taxes      | -                     | -                     |
|                                    |                       |                       |
| <b>TOTAL OPERATING EXPENSE</b>     | <b>306,408.92</b>     | <b>216,608.33</b>     |
|                                    |                       |                       |
| <b>NET OPERATING INCOME (LOSS)</b> | <b>(157,556.20)</b>   | <b>(83,593.45)</b>    |
|                                    |                       |                       |
| <b>Other Income:</b>               |                       |                       |
| District Revenue                   | 165,436.86            | 151,741.54            |
| Expansion Fee                      | -                     | 11,430.30             |
|                                    | 165,436.86            | 163,171.84            |
| <b>Other Deductions:</b>           |                       |                       |
| Interest Expense                   | -                     | 49,618.81             |
| District Operations                | 368,577.37            | 328,312.91            |
| District Depreciation              | 208,091.75            | 269,183.66            |
| Service Expansion Costs            | -                     | 44,152.17             |
|                                    | 576,669.12            | 691,267.55            |
|                                    |                       |                       |
| <b>NET INCOME (LOSS)</b>           | <b>(\$568,788.46)</b> | <b>(\$611,689.16)</b> |

**COMPARATIVE BALANCE SHEET (SEWER)**

| <b>Account Name</b>                                      | <b>Current Year</b>   | <b>Previous Year</b>  |
|--|-----------------------|-----------------------|
| <b>Assets:</b>   |                       |                       |
| Utility Plant In Service                                 | 1,059,705.95          | \$622,296.78          |
| Accumulated Depreciation and Amortization                | (204,179.59)          | (104,577.09)          |
| <b>Net Utility Plant:</b>                                |                       |                       |
| Cash   | 113,688.90            | 21,305.28             |
| Customer Accounts Receivable                             | 5,364.29              | 6,958.03              |
| Other Assets:  |                       |                       |
| District Plant in Service                                | 5,860,419.91          | 5,573,741.10          |
| Accumulated Depreciation                                 | (732,071.61)          | (555,003.81)          |
| Accounts Receivable                                      | 151,470.00            | 151,741.54            |
| Accrued Interest Receivable                              | 75,340.98             | 840,558.60            |
| District Land  | 550,000.00            | 550,000.00            |
| Expansion in Progress                                    | -                     | 47,374.52             |
| Other Fixed Assets                                       | 70,983.73             | 70,983.73             |
| Accumulated Depreciation                                 | (26,434.50)           | (15,083.00)           |
| <b>Total Assets</b>                                      | <b>6,924,288.06</b>   | <b>7,210,295.68</b>   |
| <b>Liabilities and Capital:</b>                          |                       |                       |
| Common Stock Issued                                      | -                     | -                     |
| Preferred Stock Issued                                   | -                     | -                     |
| Other Paid In Capital                                    | -                     | -                     |
| Retained Earnings  | -                     | -                     |
| Proprietary Capital                                      | -                     | -                     |
| LLC Members Equity                                       | (2,692,836.13)        | (2,124,047.67)        |
| <b>Total Capital</b>                                     | <b>(2,692,836.13)</b> | <b>(2,124,047.67)</b> |
| Long Term Debt   | -                     | -                     |
| Accounts Payable   | -                     | -                     |
| Notes Payable  | 1,621,116.20          | 882,858.39            |
| Customer Deposits  | -                     | -                     |
| Accrued Taxes  | -                     | -                     |
| <b>Other Liabilities (specify)</b>                       |                       |                       |
| Due to Related Party                                     | 539,103.11            | 116,995.52            |
| District Notes Payable                                   | 5,127,348.60          | 7,184,840.84          |
| Accrued Interest Payable                                 | 780,873.33            |                       |
| Advances for Construction                                | -                     | -                     |
| Contributions In Aid Of Construction (non-PSC regulated) | 1,548,682.95          | 1,149,648.60          |
| <b>Total Liabilities</b>                                 | <b>9,617,124.19</b>   | <b>9,334,343.35</b>   |
| <b>Total Liabilities and Capital</b>                     | <b>6,924,288.06</b>   | <b>7,210,295.68</b>   |

**Straight-Line 25 years**  
**Accumulated Depreciation and Amortization of Utility Plant**

| Account 108                              | Current Year        | Previous Year       |
|--|---------------------|---------------------|
| Balance First of Year                    | \$104,577.09        | \$64,678.25         |
| Credits During Year:                     | -                   | -                   |
| Accruals Charged to Depreciation Account | 99,602.50           | 39,898.84           |
| Other Credits (Specify)                  | -                   | -                   |
|  |                     |                     |
| <b>Total Credits</b>                     | <b>99,602.50</b>    | <b>39,898.84</b>    |
|  |                     |                     |
| Debits During Year:                      |                     |                     |
| Book Cost of Plant Retired               | -                   | -                   |
| Cost of Removal                          | -                   | -                   |
| Other Debits (Specify)                   | -                   | -                   |
|  |                     |                     |
| <b>Total Debits</b>                      | <b>-</b>            | <b>-</b>            |
|  |                     |                     |
| <b>Balance End of Year</b>               | <b>\$204,179.59</b> | <b>\$104,577.09</b> |

**CONTRIBUTIONS IN AID OF CONSTRUCTION**

| Report all contractor and developer agreements from which cash was received during the year | Indicate "Cash or Property" | Amount                |
|---|-----------------------------|-----------------------|
|   |                             |                       |
| <b>NON-PSC regulated area</b>   |                             |                       |
| District PIAC from Developer  | Cash                        | \$5,158,257.08        |
|   |                             |                       |
| <b>Total During Year:</b>   |                             | <b>\$5,158,257.08</b> |
|   |                             |                       |

**ACCUMULATED DEFERRED INCOME TAXES**

| Description                                    | Total         |
|--|---------------|
|  |               |
| <b>Accumulated Deferred Income Taxes:</b>      |               |
| Federal  | NONE          |
| State  | NONE          |
|  |               |
| <b>Total Accumulated Deferred Income Taxes</b> | <b>\$0.00</b> |
|  |               |

### CAPITAL STOCK

|                                       |  | Common Stock | Preferred Stock |
|---------------------------------------|--|--------------|-----------------|
| Par or stated value per share         |  | NONE         |                 |
| Shares authorized                     |  |              |                 |
| Shares issued and outstanding         |  |              |                 |
| Total par value                       |  |              |                 |
| Dividends declared per share for year |  |              |                 |

### RETAINED EARNINGS

|                                |  | Appropriated | Unappropriated |
|--------------------------------|--|--------------|----------------|
| Balance first of year          |  | NONE         |                |
| Changes during year (Specify): |  |              |                |
|                                |  |              |                |
| Balance end of year            |  | 0            |                |

### PROPRIETARY CAPITAL

|                               |  |                  | Partner |
|-------------------------------|--|------------------|---------|
| Balance first of year         |  | (\$2,124,047.67) |         |
| Changes during year (specify) |  |                  |         |
| Net (Loss)                    |  | (568,788.46)     |         |
|                               |  |                  |         |
| Balance end of year           |  | (\$2,692,836.13) |         |

### LONG TERM DEBT

| Description of Obligation             | Interest      |          | Principal Per Balance Sheet Date |
|---------------------------------------|---------------|----------|----------------------------------|
|                                       | Rate          | Payments |                                  |
| Regulated                             |               |          |                                  |
| Private Notes Payable                 | 1% over prime |          | \$ 1,621,116.20                  |
|                                       |               |          |                                  |
| Non-regulated                         |               |          |                                  |
| Private Notes Payable                 | 1% over prime |          | 4,863,348.60                     |
| Bank note payable (8.25% at 12/31/07) | variable      |          | 264,000.00                       |
|                                       |               |          |                                  |
|                                       |               |          |                                  |
|                                       |               |          |                                  |

# SEWER UTILITY PLANT ACCOUNTS

| Acct No. | Account Name                           | Previous Yr.        | Additions           | Retirements   | Current Year          |
|----------|--|---------------------|---------------------|---------------|-----------------------|
| 301.00   | Organization                           | NA                  |                     |               | NA                    |
| 302.00   | Licenses & Permits capitalized         | \$47,296.24         |                     |               | \$47,296.24           |
| 303.00   | Land & Land Rights                     | 47,488.15           |                     |               | 47,488.15             |
| 304.00   | Structures and Improvements            | NA                  |                     |               | NA                    |
| 305.00   | Collecting and Impounding Reservoirs   | NA                  |                     |               | NA                    |
| 306.00   | Lake River and Other Intakes           | NA                  |                     |               | NA                    |
| 307.00   | Wells and Springs                      | NA                  |                     |               | NA                    |
| 308.00   | Infiltration Galleries and Tunnels     | NA                  |                     |               | NA                    |
| 309.00   | Supply Mains                           | NA                  |                     |               | NA                    |
| 310.00   | Power Generation Equipment             | NA                  |                     |               | NA                    |
| 311.00   | Pumping Equipment                      | NA                  |                     |               | NA                    |
| 320.00   | Sewer Treatment Equipment              | 416,482.59          |                     |               | 416,482.59            |
| 330.00   | Distribution Reservoirs and Standpipes | NA                  |                     |               | NA                    |
| 331.00   | Sewer Collection Mains                 | 111,029.80          | 437,409.17          |               | 548,438.97            |
| 333.00   | Services                               | -                   |                     |               | -                     |
| 334.00   | Meters and Meter Installations         | NA                  |                     |               | NA                    |
| 334.00   | Hydrants                               | NA                  |                     |               | NA                    |
| 339.00   | Other Plant and Misc. Equipment        | -                   |                     |               | -                     |
|          | <b>Subtotal</b>                        | <b>622,296.78</b>   | <b>437,409.17</b>   | <b>-</b>      | <b>1,059,705.95</b>   |
|          |  |                     |                     |               |                       |
| 340.00   | Office Furniture & Equipment           | 2,497.00            |                     |               | 2,497.00              |
| 341.00   | Transportation Equipment               | 12,794.50           |                     |               | 12,794.50             |
| 342.00   | Stores Equipment                       | NA                  |                     |               | NA                    |
| 343.00   | Tools, Shop & Garage Equipment         | 15,528.00           |                     |               | 15,528.00             |
| 344.00   | Laboratory Equipment                   | NA                  |                     |               | NA                    |
| 345.00   | Power Operated Equipment               | NA                  |                     |               | NA                    |
| 346.00   | Communication Equipment                | NA                  |                     |               | NA                    |
| 347.00   | Miscellaneous Equipment                | NA                  |                     |               | NA                    |
| 348.00   | Other Tangible Plant                   | -                   |                     |               | -                     |
|          |  |                     |                     |               |                       |
|          | <b>TOTAL SEWER PLANT</b>               | <b>\$653,116.28</b> | <b>\$437,409.17</b> | <b>\$0.00</b> | <b>\$1,090,525.45</b> |



## ANALYSIS OF ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT

| Acct No. | Account                              | Average Service Life in Years | Average Salvage in Percent | Depreciation Rate Applied | Accumulated Depreciation Balance Previous Year | Debits              | Credits       | Accumulated Depreciation Balance End of Year |
|----------|--------------------------------------|-------------------------------|----------------------------|---------------------------|--|---------------------|---------------|--|
| 302.00   | Licenses & Permits capitalized       | 15.00                         |                            | Straight Line             | \$10,716.58                                    | \$2,800.50          |               | \$13,517.08                                  |
| 303.00   | Land & Land Rights                   | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 304.00   | Structures and Improvements          | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 305.00   | Collecting and Impounding Reservoirs | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 306.00   | Lake River and Other Intakes         | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 307.00   | Wells and Springs                    | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 308.00   | Infiltration Galleries and Tunnels   | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 309.00   | Supply Mains                         | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 310.00   | Power Generation Equipment           | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 311.00   | Pumping Equipment                    | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 320.00   | Sewer Treatment Equipment            | 15.00                         |                            | Straight Line             | \$78,916.01                                    | \$79,306.00         |               | \$158,222.01                                 |
| 330.00   | Distribution Reservoirs & Standpipes | NA                            |                            |                           | NA   |                     |               | NA   |
| 331.00   | Sewer Collection Mains               | 25.00                         |                            | Straight Line             | \$14,944.50                                    | \$17,496.00         |               | \$32,440.50                                  |
| 333.00   | Services                             | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 334.00   | Meters and Meter Installations       | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 334.00   | Hydrants                             | NA                            |                            | NA                        | NA   |                     |               | NA   |
| 339.00   | Other Plant and Misc. Equipment      | NA                            |                            | NA                        | \$0.00   |                     |               | NA   |
|          | <b>Subtotal</b>                      |                               |                            |                           | <b>\$104,577.09</b>                            | <b>\$99,602.50</b>  | <b>\$0.00</b> | <b>\$204,179.59</b>                          |
| 340.00   | Office Furniture & Equipment         | 5.00                          |                            | Straight Line             | \$1,023.50                                     | \$813.00            |               | \$1,836.50                                   |
| 341.00   | Transportation Equipment             | 5.00                          |                            | Straight Line             | \$2,559.00                                     | \$2,559.00          |               | \$5,118.00                                   |
| 342.00   | Stores Equipment                     | NA                            |                            | NA                        |  |                     |               | NA   |
| 343.00   | Tools, Shop & Garage Equipment       | 7.00                          |                            | Straight Line             | \$2,944.50                                     | \$2,195.25          |               | \$5,139.75                                   |
| 344.00   | Laboratory Equipment                 | NA                            |                            |                           | NA   |                     |               | NA   |
| 345.00   | Power Operated Equipment             | NA                            |                            |                           | NA   |                     |               | NA   |
| 346.00   | Communication Equipment              | NA                            |                            |                           | NA   |                     |               | NA   |
| 347.00   | Miscellaneous Equipment              | NA                            |                            |                           | NA   |                     |               | NA   |
| 348.00   | Other Tangible Plant                 | NA                            |                            |                           | NA   |                     |               | NA   |
|          | <b>TOTAL SEWER PLANT</b>             |                               |                            |                           | <b>\$111,104.09</b>                            | <b>\$105,169.75</b> | <b>\$0.00</b> | <b>\$216,273.84</b>                          |

## SEWER OPERATION AND MAINTENANCE EXPENSE

| ACCOUNT NAME  | AMOUNT               |
|---|----------------------|
| Salaries and Wages - Employees                                      | \$ -                 |
| Salaries and Wages - Officers, Directors, and Majority Stockholders | -                    |
| Employee Pensions and Benefits                                      | -                    |
| Purchased Water   | -                    |
| Purchased Power   | 7,022.54             |
| Fuel for Power Production   |                      |
| Chemicals   | 1,829.49             |
| Materials and Supplies  | 1,239.88             |
| Contractual Services  | 14,575.10            |
| Transportation Expense  |                      |
| Insurance Expense   | 7,338.87             |
| Regulatory Commission Expense                                       |                      |
| Bad Debt Expense  | 6,393.88             |
| Other Expenses:   |                      |
| Equipment rental  |                      |
| Management Fee (\$99,339 per time allocation)                       | 133,694.56           |
| Professional Fees   | 1,279.47             |
| Maintenance Expense   |                      |
| Other Expenses  | 22,965.44            |
|   |                      |
| <b>Total</b>  | <b>\$ 196,339.23</b> |

## PAYMENT FOR SERVICES RENDERED BY OTHER THAN EMPLOYEES

| Name of Recipient | Amount     | Description of Service |
|-------------------|------------|------------------------|
| Scenic City       | \$9,657.25 |                        |
|                   |            |                        |
|                   |            |                        |
|                   |            |                        |
|                   |            |                        |
|                   |            |                        |

## SOURCES OF WATER SUPPLY

Surface Water: River \_\_\_\_\_ Lake \_\_\_\_\_ Stream \_\_\_\_\_ Impounding Res. \_\_\_\_\_  
 Ground Water: Springs No. \_\_\_\_\_ Shallow Wells No. \_\_\_\_\_ Deep Wells No. \_\_\_\_\_

## SUPPLY, TRANSMISSION & DISTRIBUTION MAINS (FEET)

| Size Inches | First of Year | Laid During Year | Total | Abandoned During Yr. | Taken Up During Yr. | Total | Close of Year |
|-------------|---------------|------------------|-------|----------------------|---------------------|-------|---------------|
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
| Total       |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |
|             |               |                  |       |                      |                     |       |               |

## RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs \_\_\_\_\_ Capacity in Gallons \_\_\_\_\_  
 Number of Standpipes \_\_\_\_\_ Capacity in Gallons \_\_\_\_\_  
 Method of Purification \_\_\_\_\_

## SERVICES AND METERS

|          |         |       |           |       |       |       |       |       |       |
|----------|---------|-------|-----------|-------|-------|-------|-------|-------|-------|
| Services | 5/8 in. | 1 in. | 1 1/2 in. | 2 in. | 3 in. | 4 in. | 6 in. | _____ | _____ |
| 1/2 in.  | _____   | _____ | _____     | _____ | _____ | _____ | _____ | _____ | _____ |
| Meters   | _____   | _____ | _____     | _____ | _____ | _____ | _____ | _____ | _____ |

## NUMBER AND CLASSIFICATION OF CONSUMERS

-Beginning of Year-

-Close of Year-

| Classification | Metered | Unmetered | Total | Metered | Unmetered | Total | Increase or Decrease |
|----------------|---------|-----------|-------|---------|-----------|-------|----------------------|
| Residential    |         |           |       |         |           |       |                      |
| Commercial     |         |           |       |         |           |       |                      |
| Industrial     |         |           |       |         |           |       |                      |
| Fire Hydrants  |         |           |       |         |           |       |                      |
| Governmental   |         |           |       |         |           |       |                      |
| All Other      |         |           |       |         |           |       |                      |
| Total          |         |           |       |         |           |       |                      |
|                |         |           |       |         |           |       |                      |
|                |         |           |       |         |           |       |                      |

## TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year \_\_\_\_\_ gals.  
 Maximum Water obtained all methods during any one day \_\_\_\_\_ gals.  
 Minimum Amount of Water obtained all methods during one day \_\_\_\_\_ gals.  
 Total Amount of Water passed through customers meters during year \_\_\_\_\_ gals.  
 Range of ordinary pressure on mains \_\_\_\_\_ lbs. to \_\_\_\_\_ lbs.  
 Range of fire pressure in mains \_\_\_\_\_ lbs. to \_\_\_\_\_ lbs.

STATE OF MONTANA )  
County of Gallatin )

We, the undersigned, on our oath do severally say that the foregoing return the  
Utility Solutions, LLC, <sup>sewer</sup> water utility, has been prepared  
under our direction from the original books, papers and records of said utility and declare  
the same to be a full, true and correct statement embracing all the financial transactions of  
said utility during the period for which the return is made.



Subscribed and sworn to before me this

29th day of April, 2008.

Barbara Campbell  
member

Kristene L. Vandersloot

Kristene L. Vandersloot